



International Journal of Innovative Research in Science Engineering and Technology (IJIRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)



Impact Factor: 8.699

Volume 15, Issue 3, March 2026

Financial Crisis Due to the US–Israel–Iran Conflict (With Special Reference to India)

Shaheen Banu

Department of commerce, Anwarul Uloom College, Hyderabad, Telangana, India

ABSTRACT: The growing global geopolitical tension among United States, Israel, and Iran has triggered big disruptions in the global financial system. This article examines how conflicts contribute to rising oil prices, inflation, financial market instability, and supply chain disruptions, with special focus on India. As a major oil importing economy, it is an intense shock from Middle East in 2026 to India because its entire transport and manufacturing system relies on a fuel it doesn't own. The study highlights the transmission channels through which global geopolitical instability affects India's inflation, exchange rates, fiscal balances, and economic growth due to U.S.-Israel-Iran conflict of March 2026, shift from a political event into a structural economic shock for India. The paper concludes that growing conflict may increase the risk of a global financial crisis and emphasizes the need for strategic policy measures to safeguard India's economic stability.

I. INTRODUCTION

Geopolitical conflicts have always affected the economy in a big way. The current tension between the United States, Israel, and Iran has become a serious global issue because they directly affect oil supply and financial markets. The Middle East is very important for the world's oil; if any problem occurs there that affects both the rich and developing countries.

India, being a fast-growing economy, is highly affected by global shocks due to its heavy dependence on imported crude oil and its integration with global financial markets.

Objective of the study:

- To analyze how rising oil prices due to the conflict affect inflation and economic stability in India.
- To study the effect of geopolitical tensions on India's exchange rate, especially the value of the Indian rupee.
- To examine the impact of global instability on India's trade balance and current account deficit.
- To understand how India's dependence on imported crude oil increases its vulnerability to external shocks.
- To evaluate the impact of the conflict on India's financial markets, including stock market performance and investment flows.

II. CAUSES OF THE FINANCIAL CRISIS

• Oil Supply disruption

One of the most critical factors is the disruption of oil flow through the Strait of Hormuz, through which nearly 20% of the world's oil supply passes. Any blockage or threat significantly increases oil prices and affects global production costs. Specially India imports nearly 90% of its crude oil and approximately 50% of its natural gas from middle East specifically through Strait of Hormuz.

• Geopolitical uncertainty

The conflict between the US, Israel, and Iran has led to instability in the Middle East, a region that plays a vital role in global energy supply. Military strikes and retaliations have disrupted economic activities, discouraging investment, reducing economic confidence and increased uncertainty in global financial markets.

• Rise in Oil Prices and Inflation

Oil prices have surged sharply due to supply disruptions, leading to increased transportation and manufacturing costs. Global inflation is projected to rise significantly, affecting both developed and developing economies.

According to Reuters,

- Experts warn that if oil prices reach extreme levels (e.g., \$150 per barrel), it could trigger a global recession.
LONDON, March 26 (Reuters) – Traders are piling into oil options betting Brent crude will surge to an all-time high of at least \$150 a barrel by the end of April, as the war in the Middle East continues to choke supplies through the Strait of Hormuz.
- Financial Market Instability

The uncertainty caused by the conflict has led to instability in financial markets:

1. Increased instability in bond markets
2. Declining liquidity in US Treasury markets
3. Investors shifting toward safe assets

According to Reuters,

Recent reports indicate significant stress in the US financial system due to geopolitical shocks.

- Slowing Economic Growth

Higher inflation and reduced consumer demand may lead to slower global economic growth and even recessionary condition.

III. IMPACT ON INDIA (SPECIAL REFERENCE)

- Dependence on Oil Imports

India imports nearly 85–90% of its crude oil requirements, making it highly vulnerable to global price shocks. According to Mint, Gulam Jeelani Published 2nd March, 2026.

As tensions escalate following the US-Israel strikes against Iran, India faces potential disruptions in oil imports and trade. With nearly 90% of its crude sourced abroad, the impact on energy prices and key exports such as basmati rice could be profound.

- Pressure of Inflation

Rising oil prices increase transportation and production costs, leading to higher inflation. This directly affects the cost of living and reduces purchasing power.

- Impact on Indian Rupee

The conflict puts pressure on the Indian currency due to higher import bills and capital outflows. Currency depreciation further increases import costs.

According to India Briefing, Iran Conflict Raises Oil, Rupee, and Trade Risks for India's Economy.

March 3, 2026 Posted by India Briefing Written by Cyril Reading Time:

7 minutes Escalating tensions in the Middle East are reverberating through global commodity and financial markets and India – with its heavy reliance on imported energy, trade links, and global capital flows – is exposed to its economic effects.

- Trade and Supply Chain Disruptions

The conflict affects trade routes and increases shipping and insurance costs. This impacts India's exports and imports, especially with Middle Eastern countries.

- Stock Market Instability

Indian stock markets, such as Sensex and Nifty, have shown fluctuations due to global uncertainty, rising oil prices, and foreign investor withdrawals.

According to Business Standards,

For long-term investors, the most reliable strategy during geopolitical stress has remained unchanged: stay invested, diversify sensibly.

Volume 15, Issue 3, March 2026**|DOI: 10.15680/IJIRSET.2026.1503401|**

IV. RISK OF FINANCIAL CRISIS

The combined effects of inflation, reduced growth, and financial instability may lead to stagflation, a situation where inflation rises while economic growth slows. Prolonged conflict could escalate into a global financial crisis affecting India significantly.

V. POLICY MEASURES FOR INDIA

- **Monetary Policy**

The Reserve Bank of India may adjust interest rates to control inflation.

- **Diversification of Energy Sources**

India must invest in renewable energy to reduce dependence on imported oil.

- **Strategic Oil Reserves**

Maintaining adequate reserves can help manage short-term supply shocks

- **Strengthening Trade Policies**

Diversifying trade partners can reduce dependency on conflict-affected regions.

“Instead of depending on the Middle East, India can trade with Russia”.

VI. CONCLUSION

The tensions among the United States, Israel, and Iran have created serious global economic challenges. These conflicts have disturbed oil supply and increased global oil prices. As a result, inflation and financial market instability have risen worldwide. India is highly affected due to its heavy dependence on imported crude oil. Rising oil prices have increased inflation and cost of living in India. The Indian rupee has also faced depreciation due to higher import bills. Trade balance and economic growth are under pressure. Prolonged conflict may lead to stagflation and risk of a global financial crisis. India needs strong policy measures like energy diversification and monetary control. Overall, proper planning can help India reduce risks and maintain economic stability.

REFERENCES

1. Reuters. (2026). Reports on oil price shocks and global financial markets.
2. Mint. (2026). Articles on India's oil imports and economic impact of geopolitical tensions.
3. Business Standard. (2026). Analysis of Indian stock markets during global conflicts.
4. India Briefing. (2026). Iran Conflict Raises Oil, Rupee, and Trade Risks for India's Economy.



INTERNATIONAL
STANDARD
SERIAL
NUMBER
INDIA



INTERNATIONAL JOURNAL OF INNOVATIVE RESEARCH

IN SCIENCE | ENGINEERING | TECHNOLOGY

 9940 572 462  6381 907 438  ijirset@gmail.com



www.ijirset.com

Scan to save the contact details